1988 Annual Report

stc lines

Bringing Saskatchewan People Together

89-02825/

The Company gratefully acknowledges the many years of dedicated service performed by the following employees who retired during this fiscal year:

Donald S. Armstrong
Motor Coach Operator, Saskatoon
April 23, 1952 - November 1, 1987

Roy W. Birnie
Express Agent, Saskatoon
August 14, 1974 - December 1, 1987

John D. Black
Motor Coach Operator, Saskatoon
August 21, 1959 - November 1, 1987

Glenn W. Brown
Caretaker, Saskatoon
March 15, 1974 - April 1, 1988

Roy Walter Eberle
Ticket Agent, Regina
April 22, 1953 - April 21, 1988

John Lyzaniwski
Manager Audit/Reclaims, Regina
September 2, 1952 - August 27, 1988

Ron D. MacPherson
Depot Manager, Prince Albert
May 14, 1959 - December 1, 1987

Arthur J. McKenzie
Mechanic I, Regina
June 12, 1946 - April 1, 1988

R. Donald Mullins
Motor Coach Operator, Saskatoon
October 6, 1952 - April 1, 1988

Ole C. Thoresen
Lead Hand Mechanic I, Prince Albert
May 29, 1961 - August 1, 1988

Table of Contents

	Page
Letter of Transmittal	1
President's Report	2
Five Year Statistical Profile	4
Corporate Directory	5
Auditors' Report	6
Statement of Financial Position	7
Statement of Operations and Deficit	8
Statement of Cash Flows	9
Notes to Financial Statements	10

Letter of Transmittal

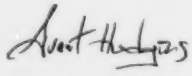
February 27, 1989

To Her Honour S. Fedoruk
The Honourable Lieutenant Governor
of the Province of Saskatchewan

Your Honour:

I have the honour to submit the Annual Report of the Saskatchewan Transportation Company for the year ended October 31, 1988, including the Financial Statements duly certified by the Corporation's Auditor and in the form approved by the Treasury Board, all in accordance with the Crown Corporations Act 1978.

Your obedient servant



Grant Hodgins
Minister in Charge
Saskatchewan Transportation Company

President's Report

In 1988, STC continued to fulfill its mandate by providing safe, reliable and efficient transportation services to the people of Saskatchewan.

The Company's performance cannot be defined in financial terms alone and must also be measured in terms of the marketplace in which it operates and the service levels it provides.

The geographic and demographic characteristics peculiar to Saskatchewan, require STC's fleet to log thousands of miles to reach its markets in sparsely populated areas whereas most of the bus industry's operations are concentrated on densely populated urban bases. Yet in 1988, STC transported 648,000 passengers over its scheduled routes which is equivalent to 6 out of every 10 Saskatchewan residents taking a one-way trip. Furthermore, while the national trend showed passenger declines of between 3% and 5%, STC's ridership declined a marginal 1.3% in 1988.

After a five year moratorium, STC adjusted its passenger fares on June 1st which contributed to the $119,000 increase in passenger revenues of $6.3 Million in 1988.

Express revenues grew 7% or $375,000 to $5.5 Million in 1988 as a result of substantial marketing emphasis and aggressive pursuit of high volume customers by STC. The innovative programs developed and initiated in the past two years, particularly the pick-up and delivery service referred to as Relay Express and the Econopak service, showed strong growth.

1988 was the first time in five years that charter activity did not expand. Revenues declined $48,000 to $731,000. The introduction of new carriers in the Regina market and the resulting price discounting, adversely affected both miles operated and revenue generated per mile. However, it is anticipated that marketing efforts directed toward target groups will recoup this loss in the future.

Marginal growth in commission and other transportation services accounted for the remaining $467,000 increase in total transportation revenues of $13.7 Million.

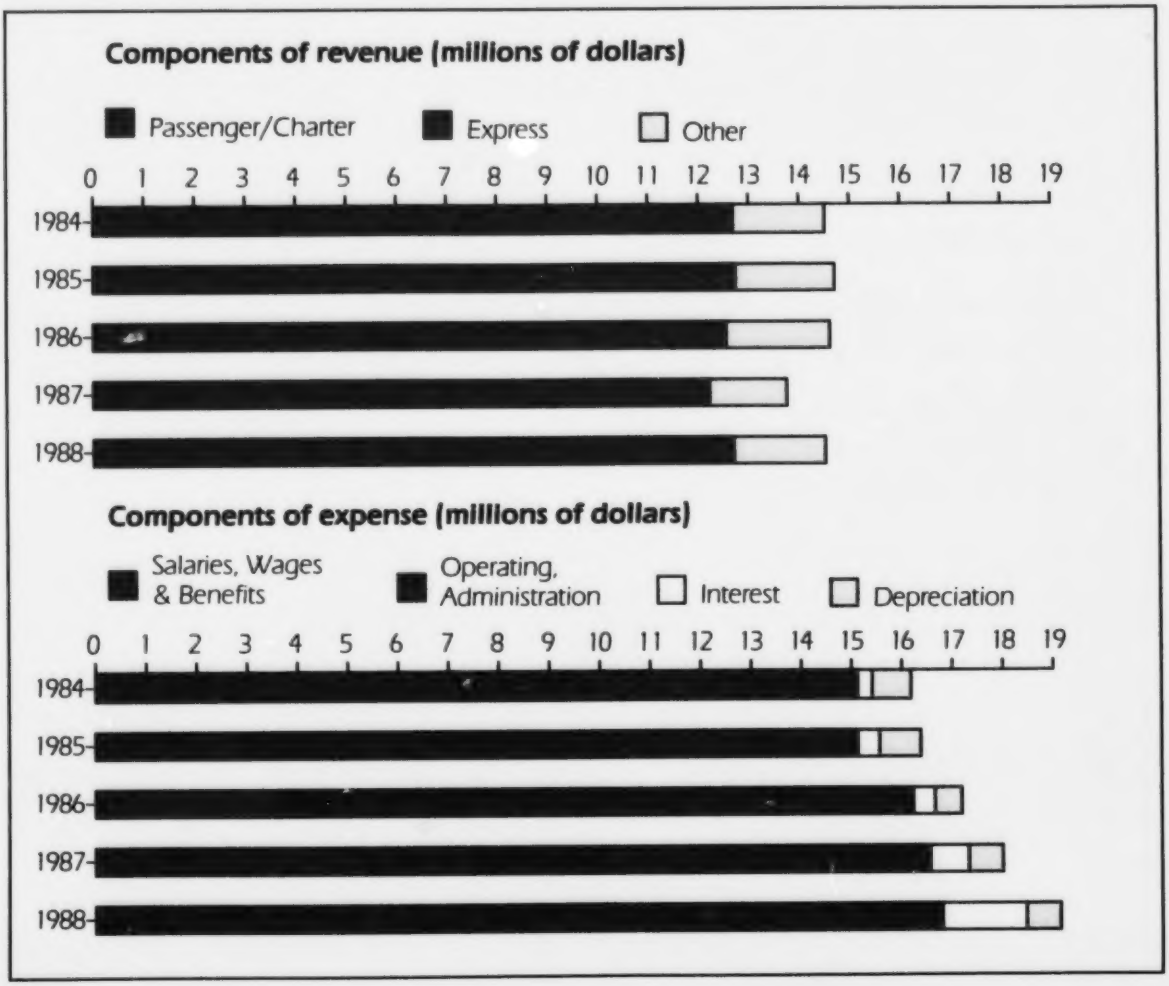
Total corporate expenses of $19.1 Million were up 6% over the previous year with interest costs accounting for the majority of the increase. Increased fuel, customer services and agency costs were the other significant contributing factors.

Notwithstanding escalating costs and the soft rural economy, STC recovered 75% of its costs through revenue in 1988. Considering the poor geographic and demographic characteristics confronting STC and the enhanced quality of service provided, this is a significant accomplishment, achieved primarily through cost containment.

STC and the entire inter-city bus industry are facing many critical challenges. Declining passenger markets, intense competition in the express market and cost pressures are threatening their viability. However, while many carriers have reduced service, STC has maintained its commitment and has not reduced service levels, but has initiated efficiency measures in all areas in order to stem the losses resulting from the downturn in markets. STC will continue to examine all alternatives available to remedy the financial position of the corporation.

The success of the company and its acceptance by the public is reflected by the quality service rendered by its employees and 281 commissioned agents. Their contribution in this respect is sincerely appreciated.

Don Castle
President



Five Year Statistical Profile (Unaudited)

	1987-88	1986-87	1985-86	1984-85	1983-84
Income (000's)					
Scheduled Service	$11,783	$11,290	$11,756	$12,128	$12,059
Other	2,499	2,428	2,723	2,537	2,361
Total:	$14,282	$13,718	$14,479	$14,665	$14,420
Expenses (000's)					
Operating & Administration	$16,915	$16,357	$15,794	$15,095	$15,022
Interest	1,418	898	704	497	382
Depreciation	788	781	794	794	812
Total:	$19,121	$18,036	$17,292	$16,386	$16,216
Net Loss (000's)	$ 4,839	$ 4,318	$ 2,813	$ 1,721	$ 1,796
Assets at Book Value (000's)	$10,114	$10,374	$11,077	$11,232	$10,279
Miles Operated (000's)					
Scheduled Miles	5,038	5,079	5,140	5,131	5,130
Other	383	427	385	354	359
Total:	5,421	5,506	5,525	5,485	5,489
Route Passengers					
Number Carried (000's)	648	656	697	737	731
Passenger Miles (000's)	69,721	70,724	75,051	78,781	77,986
Coach Statistics					
Number of Coaches	62	62	62	62	69
Miles/Coach	87,436	88,805	89,112	84,899	78,988
Average Age of Fleet	11.1	10.1	9.1	8.1	8.7
Number of Employees	308	298	305	294	293
Salaries, Wages & Benefits (000's)	$10,316	$10,098	$ 9,981	$ 9,779	$ 9,683

Corporate Directory

Board of Directors
As of October 31, 1988

William G. Rudichuk	— Chairman
Honourable Grant Hodgins	— Vice-Chairman
Ian Disbery	— Board Secretary
Daryl Huber	— Lipton
Gerald Rennie	— Ponteix
David Kimber	— Melfort
Leona Huxley	— Maidstone
Helen Crich	— Saskatoon
Clinton Ranger	— Leask
Hughene Close	— Kindersley
Hilda Hildebrandt	— Limerick
Danny Keshane	— Kamsack

Management
As of October 31, 1988

Don Castle	— President
Darrell T. Lowry	— Vice-President, Operations
David A. Sentes	— Vice-President, Finance & Administration
Greg G. Beattie	— Manager, Sales & Traffic
Ruth Weir	— Controller
Les Wills	— Equipment Manager

Auditors' Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have examined the statement of financial position of Saskatchewan Transportation Company as at October 31, 1988 and the statements of operations and deficit and cash flows for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at October 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Ernst & Whinney

Thorne Ernst & Whinney
Chartered Accountants

January 13, 1989

Statement of Financial Position

	October 31 1988	October 31 1987
	(Thousands of dollars)	
ASSETS		
Current Assets		
Accounts receivable	$ 2,224	$ 1,475
Supplies and parts inventories	561	512
Prepaid expenses	142	138
	2,927	2,125
Property and Equipment (note 1)	10,114	10,374
	$ 13,041	$ 12,499
LIABILITIES AND PROVINCE'S EQUITY (DEFICIENCY)		
Current Liabilities		
Bank indebtedness	$ 971	$ 2,150
Accounts payable and accrued liabilities	2,623	2,394
Notes payable (note 2)	10,820	9,939
Loan payable (note 3)	6,326	826
	20,740	15,309
Obligation under capital lease (note 4)	130	180
Total liabilities	20,870	15,489
Province of Saskatchewan Equity (Deficiency)		
Advances (note 5)	11,635	11,635
Deficit	(19,464)	(14,625)
	(7,829)	(2,990)
	$ 13,041	$ 12,499

Statement of Operations and Deficit

	Year ended October 31 1988	1987
	(Thousands of dollars)	
REVENUE		
Transportation services	$ 13,729	$ 13,262
Other revenues	553	456
	14,282	13,718
EXPENSES		
Operating	13,837	13,442
Administration	3,078	2,915
Depreciation	788	781
Interest	1,418	898
	19,121	18,036
LOSS FOR THE YEAR	4,839	4,318
DEFICIT AT BEGINNING OF YEAR	14,625	10,307
DEFICIT AT END OF YEAR	$ 19,464	$ 14,625

Statement of Cash Flows

	Year ended October 31 1988	1987
	(Thousands of dollars)	
CASH PROVIDED BY (USED FOR):		
OPERATIONS		
Loss for the year	$ (4,839)	$ (4,318)
Items not involving cash		
Depreciation	788	781
Change in non-cash operating working capital (note 6)	(573)	(169)
	(4,624)	(3,706)
INVESTMENTS		
Additions to property and equipment	(528)	(209)
FINANCING		
Payments of obligation under capital lease	(50)	(46)
Increase in short-term borrowings	6,381	2,491
	6,331	2,445
INCREASE (DECREASE) IN CASH POSITION	1,179	(1,470)
CASH POSITION AT BEGINNING OF YEAR	(2,150)	(680)
CASH POSITION AT END OF YEAR	$ (971)	$ (2,150)

Notes to Financial Statements

Year Ended October 31, 1988

GENERAL

The Saskatchewan Transportation Company was established in 1946 by Order in Council #168 to act as a common carrier providing passenger transportation, parcel express and freight services. The Company is continued under The Crown Corporations Act, 1978.

The accounts of the Company are consolidated in the annual financial statements of the Crown Investments Corporation of Saskatchewan.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Supplies and Parts Inventories

Inventories of vehicle parts and supplies are stated at the lower of average cost or replacement cost.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditures for repairs to equipment which extend its useful life, such as major refurbishments and structural repairs, are capitalized. Normal maintenance, such as engine and drivetrain repairs or replacement, mechanical repairs and preventative maintenance, are expensed as incurred.

Depreciation

Depreciation is provided from the date assets are put into service and is recorded on the straight-line basis at rates designed to depreciate the cost of the fixed assets over their estimated useful lives after considering residual values. Annual depreciation rates are as follows:

Buildings	2.5% to 10%
Coach equipment	11.1%
Other equipment	10.0% to 20%

Leases

Leases that transfer substantially all the benefits and risks of ownership of property to the Company are accounted for as capital leases.

At the time a capital lease is entered into, the asset, together with its related long-term obligation, is recorded at an amount equal to the present value of future minimum lease payments. The obligation recorded under capital lease is reduced by rental payments net of interest.

Equipment under capital lease is depreciated on the same basis as owned equipment.

1. PROPERTY AND EQUIPMENT

	1988			1987
	Cost	Accumulated Depreciation	Net	Net
	(Thousands of dollars)			
Land	$ 1,772	$ –	$ 1,772	$ 1,772
Buildings	7,197	1,893	5,304	5,207
Coach equipment	7,429	5,306	2,123	2,512
Equipment under capital lease	278	125	153	209
Other equipment	1,316	554	762	674
	$17,992	$ 7,878	$10,114	$10,374

2. NOTES PAYABLE

The notes payable are comprised of Bankers' Acceptances bearing effective interest rates of 9.75% to 11.75% (1987 - 7.5% to 9.8%). The notes are stated net of discount with a maturity value of $11,000,000 (1987 - $10,000,000).

3. LOANS PAYABLE

Loans payable to Crown Investments Corporation of Saskatchewan

	1988	1987
	(Thousands of Dollars)	
Non interest bearing, payable on demand	$ 826	$ 826
Bearing interest at 10.45%, maturing December 30, 1988	5,500	—
	$6,326	$ 826

4. OBLIGATION UNDER CAPITAL LEASE

The following is a schedule by year of future minimum lease payments together with the balance of the obligation under capital lease.

	(Thousands of dollars)
1988-89	$ 68
1989-90	67
1990-91	67
1991-92	11
Total future minimum lease payments	213
Amount representing interest at 10.75%	33
	180
Less current amount included in accounts payable	50
Balance of obligation	$130

5. ADVANCES

Advances received from Crown Investments Corporation of Saskatchewan are intended as long-term equity for the Company. These advances are non-interest bearing with no fixed terms of repayment.

Subsequent to October 31, 1988, the Company received further advances in the amount of $15,500,000. These funds have been applied to repay loans payable and reduce notes payable.

6. CHANGE IN NON-CASH OPERATING WORKING CAPITAL

The change in non-cash operating working capital is comprised of the following items:

	1988	1987
	(Thousands of dollars)	
Cash provided by (used for):		
Accounts receivable	$ (749)	$ (298)
Supplies and parts inventory	(49)	(60)
Prepaid expenses	(4)	27
Accounts payable and accrued liabilities	229	162
	$ (573)	$ (169)

7. PENSION PLANS

The Company participates in two pension plans. One is the STC Employees Superannuation Plan, established pursuant to the Public Service Superannuation Act, and is a defined benefit plan. The other is the Crown Investments Corporation Pension Plan, which is a defined contribution plan. Employees hired after September 1, 1980 are required to contribute to the defined contribution plan.

The Company's financial obligations to each of the plans are limited to making regular payments to match the amounts contributed by the employees for current service.

8. RELATED PARTY TRANSACTIONS

Included in these financial statements are revenue and expenses resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the Company is related.

Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms.

1988 Route Map